

BEFORE KARNATAKA ELECTRICITY REGULATORY COMMISSION
BENGALURU.

Filing No.....

Case No.....

IN THE MATTER OF

An Application for approval of Annual Performance Review (APR) along with the audited Accounting Statements of Hukeri Rural Electric Co-operative Society Limited, under the provisions of the Electricity Act, 2003 and KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, for FY 2020-21.

AND IN THE MATTER OF

Hukeri Rural Electric Co-operative Society Limited, a Co-operative Society incorporated under the provisions of the Karnataka Co-operative Societies Act, 1959, having its registered Office at HUKKERI ---

APPLICANT

1. The Applicant is a Co-operative Society, incorporated under the provisions of the Karnataka Co-operative Societies Act, 1959 and a "Distribution and Retail Supply Licence" under Section 14 of the Electricity Act, 2003.
2. The Applicant is hereby submitting its audited Accounting Statements for the financial Year 2020-21 for the scrutiny of the Hon'ble Commission and also for the purpose of Annual Performance Review as provided under Regulation 2.8 of the Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006 (hereinafter referred to as

“the **MYT Regulations**”) or truing up exercise to be conducted by the Hon’ble Commission, in compliance of the directions of the Hon’ble Commission.

3. The Applicant submitted that in the tariff order dated 04-11-2020, Hon’ble Commission for FY-21 had approved 346.52 MU at IF of HRECS (including AEQUS SEZ) of power purchase at the cost of Rs. 173.42 crores and sale of 272.76 MU (excluding AEQUS SEZ) of energy resulting in 44.56 MU energy loss, which translates into 13.75% distribution loss. As against the above approval, the Society has achieved 327.23 MU of power purchase at the cost of Rs. 208.16 crores (including the power purchase cost & interest of previous period amounting to Rs. 42.44 crores) and sale of 279.09 MU (AEQUS included) of energy resulting in 48.14 MU loss, which translates into 14.71% distribution loss. Further the Applicant HRECS wish to bring to the notice of Hon’ble Commission that the Sum of Rs. 22.29 crores have been included in the above power purchase cost as the Licensee HRECS has received a supplemental bill for Rs. 22.29 crores pertaining to revision in power purchase cost. This has been included only for the purpose of tallying with the accounts.
4. The Hon’ble Commission has approved Capex of Rs. 4.00 crores for FY 21 in Tariff Order dated 04-11-2020.

In the CAPEX, Rs. 16.72 Cr. following table indicate source of funding. The last column indicates CAPEX having impact on Tariff.

SL No.	Name of the Work	Amount in Crs.	Source of funding	Actual amount of CAPEX, the interest and finance charges to be allowed in the tariff
1	Flood Relief Works	4.60	GoK (To be received)	Nil
2	Akram-Sakram	1.99	Rs. 1.53 cr. Collected from consumer. Balance to be received from GoK	Nil
3	Saubhagya	1.86	60% Gol	Rs.0.74 Cr.
4	DDUGJY	0.32	60% Gol	Rs. 0.13 Cr.
5	SDP	0.45	GoK (Received)	Nil
6	SCSP/TSP	0.14	GoK (Received)	Nil
7	NJY	1.21	60% GoK (Received)	Rs. 0.48 Cr.
8	Improvement works & others	3.70	Own fund	Rs. 3.70 Cr.
9	Service connections	2.44	Own fund	Nil
	Total	16.72		5.05

Further to submit that HRECS has incurred Capex having impact on tariff is only Rs. 0.13 crores (loan). The interest on that is Rs. 1.69 lakhs which may kindly be allowed.

- The Applicant respectfully submits before the Hon'ble Commission that Share Capital at the beginning of FY 21 is Rs. 864.42 lakhs. The Commission in its successive Tariff Order did not allow RoE for the reason that accumulated losses have eroded the Equity Capital. The Commission taking in to consideration the efficiency of the Applicant in its operation, kindly to allow Return on Equity of Rs. 172.38 lakh as a special case. RoE calculation is as below:

Particulars	FY-2021
Equity at the beginning of the year	864.42
Addition during the year	43.22
Surplus	
Total Equity	907.64
ROE @ 15.5%	140.68
IT @ 22.53%	31.7
Total RoE	172.38

6. The Applicant prays that notional interest on working capital and other savings made by the Society may be allowed to be retained by the Society as reward for the efficiency, as provided under the MYT Regulations. The Commission in their Order dated 04-11-2020 had allowed interest on working capital of Rs. 331.30 lakh for FY 21 which may kindly be retained in the Annual performance Review for FY 21.
7. It is respectfully submitted before the Hon'ble Commission that additional purchase cost as claimed by the HESCOM for the period ending FY-2019 amounting to Rs. 2229.25 lakhs on account of revision in the power purchase cost as approved by the Hon'ble Commission (reference page 27 para 2.2.4 of Tariff order 2020 approved for FY-19 169.80 crore – actual accounted Rs. 147.51 crore for FY-19 by Hukkeri RECS), the same is factored in FY-21. Therefore the same has not been factored for tariff again.

8. The Applicant Hukkeri RECS respectfully submit to the Hon'ble Commission that the subsidy due from the State Government to the Applicant was mounting year on year and no interest is calculated. During Mar-2019, the arrears of subsidy amounting to Rs. 60.11 crores have been released vide GoK no. EN/27/PSR/2018/P-3 dated 06-03-2019 and Hubballi Electricity Supply Company (HESCOM) was directed to adjust against principal amount. The interest to HECOM amounting to Rs. 35.24 crores remained unpaid. This interest amount has to be waived by HESCOM, in case HESCOM rejects for waiver of interest, the Hon'ble Commission may kindly allow the same in the ARR of HUKERI RECS in phased manner. By letter No. HRECS/Accts/2019-20/147 dated 05-04-2019, the Applicant HRECS wrote to Additional Chief Secretary to Government, Energy Department, the copy of the same is also submitted to the Hon'ble Commission on 08-04-2019 and the copy of the same was also forwarded to HESCOM. However HESCOM in the letter No. HESCOM/GM(T)/EE(PTC)/AO(PTC) /2019-20/CYS-3184 dated 25-10-2019, addressed to Under Secretary to Energy Department, Vikas Soudha, Bengaluru have not agreed to waive. The Applicant Hukkeri RECS vide the letter no. HRECS/Accounts/2019-20/4867, dated 15-02-2020 had again request to waive the interest for the reason that Rs. 60.11 crores arrears of subsidy released by the Government to HESCOM on account of HRECS arrears pertaining to 10 years prior to the date 31-03-2018 and for this reason alone Hukkeri RECS is not

liable to pay interest. Besides it was also pointed out that the interest portion of Rs. 35.24 crores in the arrears pertain to the period prior to January 2017 as PPA was entered into on 15-12-2016. The Applicant Hukkeri RECS requests the Hon'ble Commission either to direct HESCOM to waive the interest or allow the same in the ARR of HUKKERI RECS in phased manner as delay in release of subsidy is not attributable to Hukkeri RECS.

9. Other income of Rs. 33.09 crores, which includes income from sale of power to AEQUS SEZ of Rs. 14.56 crores (16.40-1.84 crs. FY19 revised power purchase cost) and Rs. 18.53 crores towards other income such as interest on bank deposit, scrap sales, rent from staff quarter, rebate on electricity duty and miscellaneous income. HRECS submits that interest on fixed deposit amounting to Rs. 7.05 crores may kindly be not recognized as other income. This fixed deposit is kept as HRECS would adjust towards interest liabilities if the amount is paid to HESCOM. HRECS is deprived of its tariff from consumers to the extent of interest earned.
10. It is respectfully submitted before this Hon'ble Commission that the following tables indicates the various items of revenue requirements as approved by the Hon'ble Commission and also, as per Audited accounts/notional item like interest on working capital for FY 2020-21.

Rs. in Crs.

Particulars	Approved as per Tariff order 04-11-2020	As per Audited Accounts FY 21	As per Audited Accounts not taking revised PP cost and writing back interest on FD FY 21
Energy at IF Point including AEQUS SEZ	346.52	327.23	327.23
Sales to other than IP & BJ/KJ	77.41	77.5	77.5
Sales to BJ/KJ	3.83	4.03	4.03
Sales to IP	191.52	175.35	175.35
Sales to HRECS	272.76	256.88	256.88
Sales to AEQUS SEZ		22.21	22.21
Total Sales of HRECS		279.09	279.09
Distribution Loss (MU) of HRECS		48.14	48.14
Distribution Loss in %	13.75%	14.71%	14.71%
Revenue			
Revenue from Sale to other than IP & BJ/KJ	49.86	58.84	58.84
Revenue from Sale to BJ/KJ	2.33	2.6	2.6
Revenue from Sale to IP	114.91	105.02	105.02
Total Revenue	167.10	166.46	166.46
Expenditure			
Power Purchase Cost	173.42	208.16	185.87
O&M Expenses	15.8	15.23	15.23
Depreciation	1.86	1.62	1.62
Interest on Loan Capital	0.75	0.18	0.18
Interest on Working Capital	3.31	0	3.31
Interest on Consumers' Deposit	0.87	0.84	0.84
Expenses Capitalised	-0.77	-1.48	-1.48
Return on Equity	0	0	1.72
Other Income (included Aequs SEZ sales revenue)	-24.05	-34.93	-26.04
ARR	171.19	189.62	181.25
Less: Surplus of FY19 carried forward	2.95	-	-
Net ARR	168.24	189.62	181.25
Gap in revenue	-1.14	-23.16	-14.79

*Includes interest of Rs. 7.05 crores on fixed deposit

It is submitted before the Hon'ble Commission to allow Rs. 14.79 Crores in the ARR of FY23 which has been factored in the application for ARR for FY-23 and Tariff Application for FY-23 filed alongside of this application for the kind consideration of the Hon'ble Commission.

11. The Applicant is ready and willing to provide any further information/clarifications, in due course, if sought by the Hon'ble Commission.

PRAYER

- I. To allow gap of Rs. Rs. 14.79 Crores of the year 2020-21 in the ARR of FY23 which has been factored in the application for revised ARR and tariff application filed alongside of this application for the kind consideration of the Hon'ble Commission.
- II. Approve the annexed audited Accounting Statements of the Applicant for the Financial Year 2020-21.
- III. To direct HESCOM to waive interest levied to the extent of Rs. 35.24 crores or allow the same in the ARR in phased manner.
- IV. Allow the items Interest on working capital and RoE for the year 2020-21 as mentioned in para 5 & 6 under revenue requirement which are normative in nature which are allowed by the MYT Regulations as a reward for the efficiency.
- V. Allow the recovery of filing fees, costs and other expenses to be incurred in this regard as a pass through.

- VI. Not to recognize interest on FD in the other income of Rs. 7.05 crores.
- VII. Pass such other Orders as the Hon'ble Commission deems fit under the facts and circumstances of the case; and
- VIII. Allow this application, in the interest of justice.

Place: Hukkeri
Date: 27-11-2021

Applicant

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BENGALURU.

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---APPLICANT

AFFIDAVIT

I, K. L. Shrinivas, son of K. G. Lokanth, aged about 48 years working as Managing Director of the Applicant and residing at Hukkeri, do hereby solemnly affirm and state on oath follows.

1. I am the Managing Director of the Applicant Society and I am duly authorized by the said Applicant to make this affidavit. I am conversant with the facts of the matter and hence I am competent to depose to this Affidavit.

2. The averments made in paragraphs 1 to 11 of the Application accompanying this Affidavit, herein now marked with letter "A" are true to the best of my knowledge, information and belief.

3. I further say that the statements made and data presented in the aforesaid Application are true to the best of my knowledge, as per records of the Applicant Society and based on estimations. Further, to my knowledge and belief, no material information has been concealed in the aforesaid Application.

Solemnly affirmed at Hukkeri on this 27th day of November 2021 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed therefrom.

Place: Hukkeri

DEPONENT

Date : 27-11-2021

Identified by me: